

Indiana Public Retirement System



2013 COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2013

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Report on Investment Activities

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August 7, 2013

Board of Trustees
Indiana Public Retirement System
One North Capitol Avenue
Indianapolis, IN 46204

Dear Trustees:

Strategic Investment Solutions is pleased to provide you with an overview of the economic environment for the year ended June 30, 2013, how it impacted the Indiana Public Retirement System investment results and observations regarding the current investment strategy.

Economic Environment

The environment for the year ended June 30, 2013 was impacted by slow economic growth, low inflation, persistent unemployment and ongoing Fed policy.

Over the fiscal year, U.S. GDP growth and inflation were as follows:

Annualized Percentage Growth		
	U.S. GDP	U.S. CPI
Third Quarter 2012	2.8%	4.8%
Fourth Quarter 2012	0.1	(0.8)
First Quarter 2013	1.1	2.1
Second Quarter 2013	1.7	0.9
Annual Average	1.4	1.7

During the fourth quarter of 2012, fears of the Federal “fiscal cliff” caused individuals and businesses to restrain or postpone spending, leading to weak growth and deflation during that period. While the fiscal cliff issues were resolved at the end of 2012, this was replaced with the “budget sequestration”. With Federal spending suddenly reduced, the economy grew modestly in the first half of 2013. However, the removal of uncertainty combined with aggressive Fed policy helped to propel the markets in early 2013.

The unemployment rate was at 8.2 percent on June 30, 2012. Over the course of the year, it has slowly declined to 7.4 percent on June 30, 2013. There is considerable concern that underemployment and the decline in workforce participation means the unemployment rate does not fully capture the current employment picture.

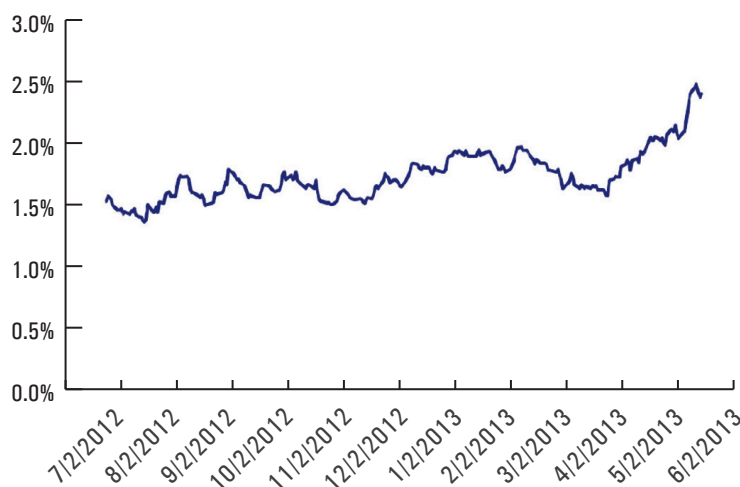
Report on Investment Activities, continued

Finally, the Fed has been aggressive in lowering interest rates by buying Treasuries and mortgage securities. The impact is two-fold: 1) For borrowers, this reduces the cost of borrowing whether it be for companies expanding businesses or individuals buying homes or cars. 2) For investors, low interest rates encourage them to consider non-fixed income investments, thereby driving up the prices of other financial assets.

The Fed has strived for transparency in communicating their intentions. This has generally served the market well, leading to decreased volatility. With inflation low and unemployment still high, the Fed has stated that they will continue to be accommodative. Any change in the Fed policy will be closely watched.

The sensitivity to Fed policy was highlighted on May 22nd when Fed Chairman Ben Bernanke commented that improving conditions could lead the Fed to reduce the aggressiveness of the existing policy. This led to a quick spike in interest rates as shown in the graph below.

Yield on 10-Year Treasury



Interest rates for the 10 year Treasury had been in a range between 1.5 percent and 2.0 percent. But with concerns that Fed policy could soon change, rates quickly rose to 2.5 percent. Should Fed policy and its actions actually change, interest rates would likely rise further and potentially rapidly.

In Europe, the debt concerns continued but not at the crisis levels of prior years. The improving environment has led to lower volatility and improved investor confidence, pushing stock prices higher.

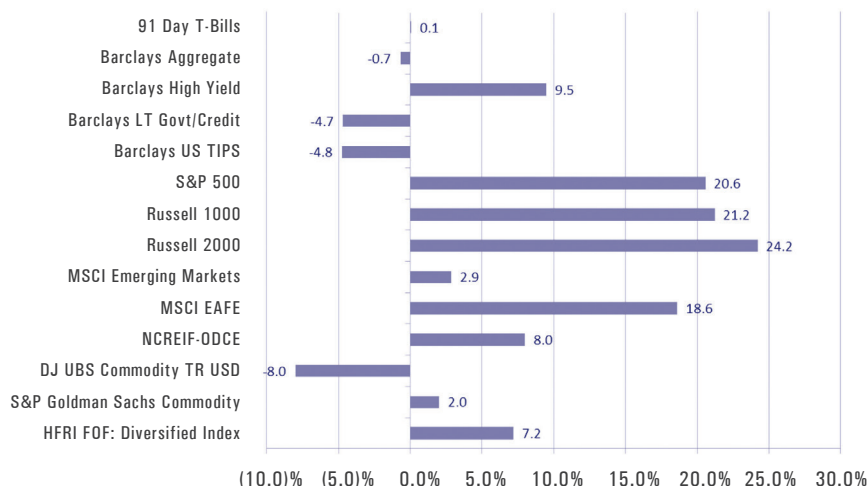
In Japan, Prime Minister Shinzo Abe is pursuing policies to improve the Japanese economy using both fiscal and monetary tools. Higher inflation and a weaker yen have improved the prospects for export-oriented Japanese companies, resulting in strong market performance.

In China, economic growth has slowed from a high of over 10 percent in 2010 to what is expected to be around 7.5 percent for 2013. This slowing growth has hurt the economies and companies that sell into the Chinese marketplace.

Impact on Investments

INPRS' investments are broadly diversified across many asset classes. The returns for indices that are representative of these asset classes can be seen in the chart below.

Key Index Returns for the Year Ended June 30, 2013

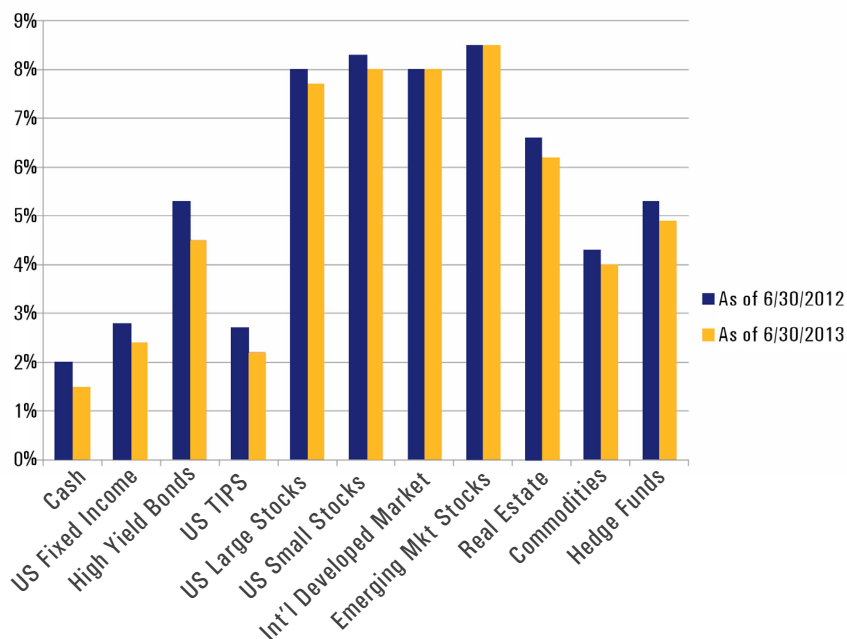


By being well diversified, INPRS has been able to pursue a risk-balanced strategy, thereby capturing the benefits of economic and earnings growth, at an appropriate level of risk. Maintaining a measured level of risk is an important objective, as this will lead to less volatility of funded status and required employer contributions.

Observations Regarding the Current Investment Strategy

We closely monitor the various markets in which INPRS is invested so that we can estimate the likelihood of achieving attractive long-term returns and understand how these correspond with the returns needed to maintain the adequate funding of the System. SIS works with INPRS to consider the risks of various investment strategies and asset allocations; the current asset mix is the result of an asset allocation study conducted in 2011. This is expected to be updated in 2014.

Capital Market Expected Returns



Report on Investment Activities, continued

The expected returns for various markets have changed over the last year, many of them declining due to the low economic growth that we have experienced. In this environment, we have assisted in identifying approaches to reduce the System's exposure to public equities as the primary source of returns and also to manage the fixed income portfolio to mitigate against the impact of low yields, higher interest rates and higher inflation. At the same time, we believe that implementing too aggressive of a plan could impact the financial stability of the System. The current investment strategy represents a reasonable balance between these competing objectives.

Sincerely,



Pete Keliuotis, CFA Managing Director

Report from the Chief Investment Officer

INPRS Investment Imperatives

There are three long-term imperatives that are vital for the continued health of the System. Every strategic and tactical decision that is made must have the expectation of positively contributing to our imperatives.

- 1) **Achieve the long-term rate of return assumption.** Effective Fiscal Year 2013 (FY13), the long-term rate of return assumption, set by INPRS Board, is 6.75 percent. In order for INPRS to maintain a healthy funded status, it is essential to achieve this rate of return over a long-term period, defined as 10+ years in the Investment Policy Statement.
- 2) **Accomplish the first goal as effectively and efficiently as possible.** Recognizing that not only is it important to return 6.75 percent, or the long-term rate of return, but as fiduciaries, it is equally important to accomplish this by focusing on return per unit of risk, diversification, and cost efficiency.
- 3) **Have sufficient liquidity on hand to pay beneficiaries.** The liquidity available in the portfolio is continuously monitored. The current liquidity profile is more than sufficient to match the beneficiary payment requirements of the System.

Year in Review

Fiscal Year 2012 (FY12) was a historic year because it was the year of integration and consolidation from two entities (PERF and TRF) into one entity (INPRS). In FY13, there was continued realization of merger efficiencies (e.g., consolidation of investment managers), with cost savings resulting in a net present value benefit to the System of over \$40 million. Also occurring in FY13 was the merging of the Annuity Savings Account (ASA) investment options contributing to further synergistic cost savings. The estimated savings from the ASA merger was \$92,000 annually.

As has been the case since the inception of INPRS, risk management continued to evolve in Investments as well as the rest of the organization. The Barra risk system implemented in FY12 is now fully functional and is contributing to the focus on risk management at INPRS. The Investment Department also improved the compliance systems and developed and implemented a new set of INPRS investment procedures.

FY13 also marked a year in which INPRS took tremendous steps toward creating a more diversified and balanced portfolio. Starting in 2011, the INPRS Board and investment team set out on a course to assemble an asset allocation and build a risk-focused culture that better fit the guiding principles set forth in the INPRS Investment Policy Statement. Those principles focus on the following:

- The long-term nature of the plans (10+ years);
- The importance of minimizing risk and volatility through diversification; and
- The acknowledgement that, despite any actions taken, markets would exhibit short-term volatility (positive and negative) around the target rate of return over time.

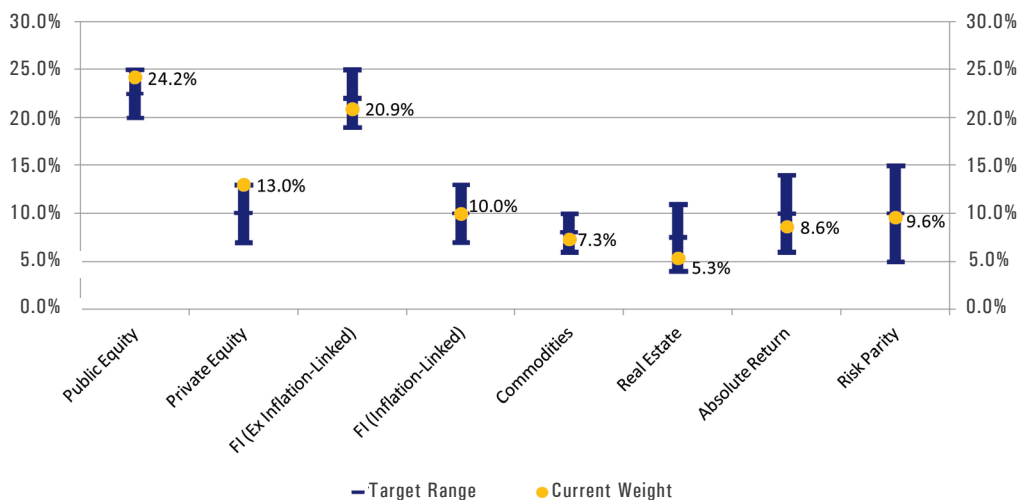
The INPRS Board and investment team also agreed on the importance of reducing the portfolio's correlation with the financial health of INPRS' funding sources, employers around the State. More often than not, the environment that tends to be the most stressful on employers' ability to fund the pension plans is when growth is weak and equities have performed poorly. Thus, we want to minimize the portfolio's negative performance during these periods.

It was also determined that it was in the best interest of the System to build a more balanced portfolio, which could withstand multiple economic environments. Such an approach seeks to reduce the reliance on strong growth and low inflation (equity-friendly) environments in the U.S. to achieve the targeted return. Accordingly, in October 2011, the INPRS Board approved a new asset allocation that featured a 10 percent allocation to risk parity strategies, increased investments in inflation-sensitive assets (inflation-linked bonds and commodities), continued investment in long-term strategies that could take advantage of return premiums

Report from the Chief Investment Officer, continued

from illiquidity (private equity and private real estate), and a restructure of the absolute return and fixed income portfolios that would reduce the sensitivity of their returns to equity markets. One statistic to confirm this is how the Beta to the S&P has been significantly reduced. In FY13, the portfolio's Beta to the S&P 500 was 0.41 compared to 0.92 close to a decade ago.

In FY13, the allocation moved much closer to the target and was well within the approved bands.

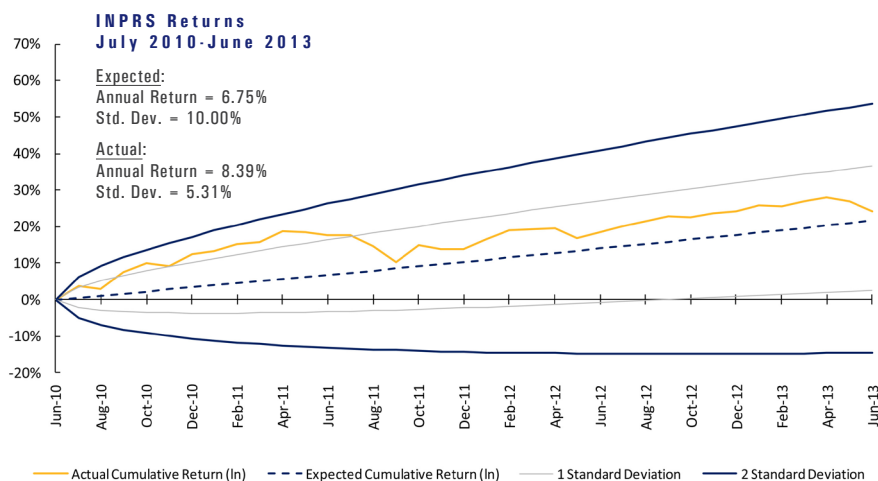


NOTE: FI (Ex Inflation-Linked) is shown exclusive of cash and cash equivalents.

Performance¹

While FY13 was a year in which the investment team successfully achieved the last two imperatives (efficiency and liquidity), a challenging environment in the final two months of the fiscal year proved to be just difficult enough to move the portfolio's one-year performance below the 6.75 percent target rate of return. As discussed above, the investment team has worked diligently to improve the diversification of the portfolio over the past few years. Nevertheless, May and June provided few asset classes with positive performance. As a result, INPRS finished the fiscal year with a 6.0 percent return net of fees. The following chart shows the cumulative performance of INPRS' portfolio over the past three years, a time period which included the consolidation of the PERF and TRF plans into INPRS, merger of the Boards and staffs, and adoption of a new asset allocation.

INPRS Net of Fees Cumulative Returns

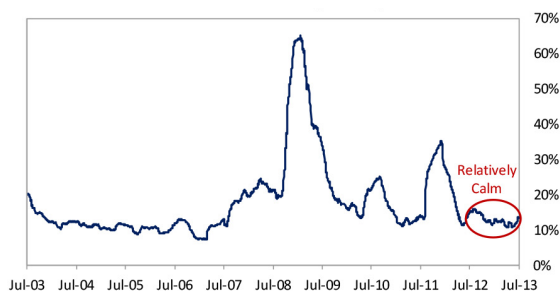


¹Rates of return are based on calculations made by the System's custodian, Bank of New York Mellon, and are presented using a time-weighted rate of return methodology based upon market value.

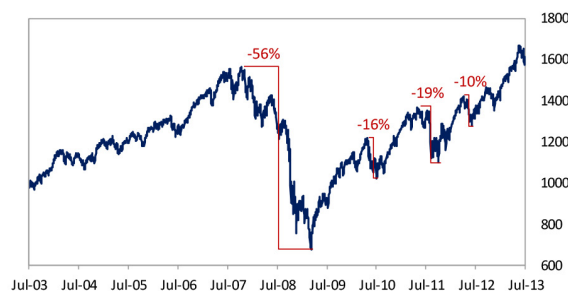
Report from the Chief Investment Officer, continued

While recent years have provided violently swinging markets to navigate, FY13 was unusually calm for many asset classes, especially those with a rising growth bias, such as equities. As the graphs below illustrate, this year was the first fiscal year since 2007 in which the S&P 500 did not see a significant spike in volatility and a drawdown worse than negative 7.00 percent.

S&P 500 90-Day Volatility

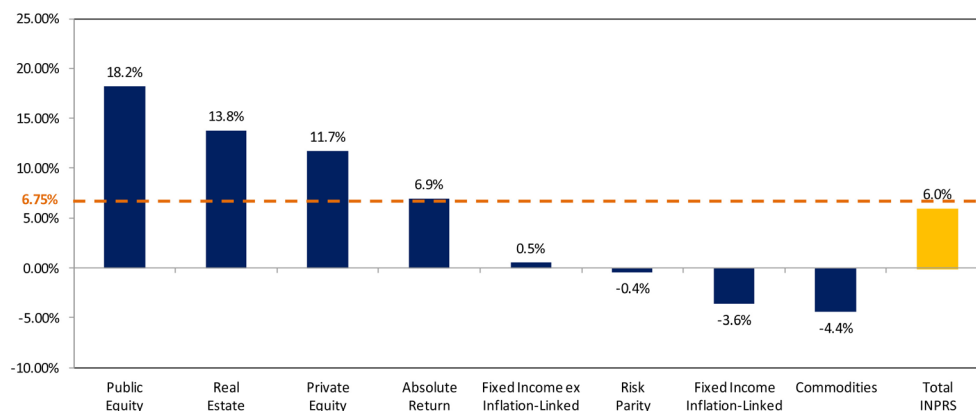


S&P 500 Index Price



Given this relative tranquility, equities (public and private) and real estate were clear winners while holding a diversified portfolio, including fixed income and commodities, produced returns that were closer to long-term expectations.

INPRS Fiscal Year 2013 Net of Fees Total Return



The total INPRS portfolio finished April with a FYTD return of 10.0 percent net of fees, and we seemed to be well on our way to surpassing a 6.75 percent return for the year. Additionally, the annualized 10-year return was at 6.9 percent net of fees at that time.

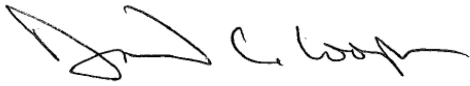
Struggling markets in May and June 2013, however, led to a total plan return slightly below the 6.75 percent target over the fiscal year and 10-year period ending June 30, 2013. This abrupt change in the markets is a good example of why a few months should not dictate whether an asset allocation is a success. The imperatives are focused on constructing a portfolio with a tighter distribution

Report from the Chief Investment Officer, continued

versus the target rate of return over longer periods of time, and to this end, we have seen some signs of dampened volatility versus the traditional asset allocation over the past few years. Nevertheless, we will continually strive to improve the portfolio's diversification and achieve a tighter distribution of returns going forward.

Although it is possible that the equity-dominance of FY13 might persist, there are other possible outcomes that could be positive for asset classes that perform well in low growth and/or rising inflation environments. As a result, we continue to hold a diversified portfolio of multiple asset classes (including equities) in search of smoother performance over longer periods of time.

Sincerely,



David C. Cooper
Chief Investment Officer

Outline of Investment Policies

The Indiana Public Retirement System (“INPRS”) Board of Trustees (“Board”) serves as the ultimate fiduciary of INPRS. Indiana Code, Article 5-10.5, provides that a nine-member Board of Trustees will oversee INPRS. The nine (9) trustees shall be appointed by the Governor, four (4) of whom must be members of INPRS. The INPRS Board of Trustees appoints the executive director of INPRS.

The Board establishes investment policies; however, Indiana law establishes guidelines on the investment of the System’s assets. At all times, INPRS must invest its assets in accordance with the “Prudent Investor” standard. Under this standard, investment decisions are based upon the same degree of care that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a similar character with similar aims.

The objective of the Board’s Investment Policy Statement (“IPS”) is to maintain adequate funding for each retirement fund and pension system in order to provide for the payment of such fund’s actuarially determined liabilities over time in a cost-effective manner. The purpose of the IPS is to support this general objective by:

- Setting forth the investment policies which the Board judges to be appropriate and prudent, in consideration of the needs and legal requirements applicable to direct investment of the assets;
- Making a clear distinction between the roles and responsibilities of the Board, Staff, and each Service Provider;
- Establishing formalized criteria to measure, monitor and evaluate the performance results of the Investment Managers;
- Communicating the investment policies, objectives, guidelines, and performance criteria of the Board to the Staff, Investment Managers, Consultants, Service Providers, Employers, Members, and all other interested parties; and
- Serving as a review document to guide the ongoing oversight of the investments by the System and demonstrating that the Board is fulfilling its fiduciary responsibilities in the administration and management of each retirement fund’s assets solely in the interests of such retirement fund’s members and beneficiaries.

The Board intends for the IPS to be a dynamic document, and, as such, expects to conduct periodic reviews utilizing input from the INPRS staff, consultants and other knowledgeable parties. The Board anticipates approving changes from time to time to reflect changes in any or all of economic and market conditions, investment opportunities, the System’s investment strategy, benefit provisions, and the governance of INPRS.

The Board recognizes that the allocation of assets is the most important determinant of investment rates of returns over long periods of time. The procedure for determining the allocation will consider the relevant characteristics of the liabilities and the potential assets of the fund. An asset liability study will be conducted no less than every three (3) years and will analyze the expected returns of various asset classes, projected liabilities, risks associated with alternative asset mix strategies and their effect on the projected market value of assets, funded status, and contributions to the fund.

The investment portfolio includes long-term commitments to the following asset classes: Public Equity, Private Equity, Fixed Income Ex Inflation-Linked Protection, Fixed Income including Inflation-Linked Protection, Commodities, Real Estate, Absolute Return, and Risk Parity. The current asset allocation, approved by the Board on October 28, 2011, is as follows:

INPRS Asset Allocation	Target Allocation	Target Range	Benchmark
Public Equity	22.5%	+/- 2.5%	MSCI All Country World
Private Equity	10.0%	+/- 3.0%	Russell 3000 + 300bps
Fixed Income – Ex Inflation-Linked	22.0%	+/- 3.0%	Barclays Global Aggregate (USDH)
Fixed Income – Inflation-Linked	10.0%	+/- 3.0%	Barclays Global Inflation-Linked (USDH)
Commodities	8.0%	+/- 2.0%	Custom Benchmark
Real Estate	7.5%	+/- 3.5%	NCREIF NFI-ODCE
Absolute Return	10.0%	+/- 4.0%	HFRI Fund of Funds Composite
Risk Parity	10.0%	+/- 5.0%	Custom Benchmark

Outline of Investment Policies, continued

The Board employs investment managers to implement the asset allocation through a selective and thorough search process that embodies the principles of procedural due diligence. It is the intent of the Board to encourage the participation of all qualified organizations in this process. The Board encourages investment managers to develop long-term investment strategies consistent with the guidelines outlined in the IPS, as well as governing Indiana statutes. Additionally, investment managers will adhere to and comply with the CFA Institute Global Investment Performance Standards in calculating and reporting investment performance. Performance of each manager is measured against the rate of return associated with appropriate market index benchmarks and an appropriate universe or style peer group of investment managers.

Annuity Savings Accounts (ASA) are accounts established for each member of the Public Employees' Retirement Fund and the Teachers' Retirement Fund. A member's account is credited with the legislated three (3.0) percent mandatory contribution (either paid by the member or "picked-up" by the employer). The member has investment direction to several alternative funds or may direct contributions to the Guaranteed Fund. The ASA produces an additional separate benefit from the fixed-formula employer funded pension benefit to the member. The current ASA investment options currently include:

- Large Cap Equity Index Fund;
- Small / Mid Cap Equity Fund;
- International Equity Fund;
- Fixed Income Fund;
- Inflation-Linked Fixed Income Fund;
- Target Date Retirement Funds;
- Money Market Fund (PERF ASA only);
- Stable Value Fund (PERF ASA Only Plan & Legislators' Plan only);
- Consolidated Defined Benefit Assets (Legislators' Plan only);
- Guaranteed Fund

The Guaranteed Fund provides a guarantee of the value of an individual's contributions plus any interest credited. The INPRS Board of Trustees annually establishes the interest crediting rate for the Guaranteed Fund based on a uniform methodology. The interest crediting rate for the Guaranteed Fund during the last 10 years is included in the Investment Results of this section.

The number and types of investment funds offered will be periodically reviewed by the Board in order to ensure diversity of investment alternatives, adequate and reasonable availability of investment types, and clarity and usefulness of the investment choices. ASA performance data is included in the Investment Results of this section.

Fund Fact Sheets for the aforementioned ASA investment options, are available online at: <http://www.in.gov/inprs/fundfactsheets.htm>.

Investment Summary

(dollars in millions)

	Actual Assets	Percent
Consolidated Defined Benefit Assets:		
Defined Benefit Retirement Plans' Assets	\$ 21,479.6	79.2%
Legislators' Defined Contribution Plan (LEDC Plan) ¹	9.1	—
Total Consolidated Defined Benefit Assets	21,488.7	79.2
Annuity Savings Accounts (ASA) Assets²:		
Public Employees' Retirement Fund (PERF)	2,780.5	10.3
Teachers' Retirement Fund (TRF)	2,802.8	10.3
Total Annuity Savings Accounts Assets	5,583.3	20.6
Legislators' Defined Contribution Plan ³	15.2	0.1
Pension Relief Fund ⁴	35.6	0.1
Death Benefit Funds ⁵	12.6	—
Total INPRS Investments⁶	\$ 27,135.4	100.0%

¹Assets represent members of the LEDC Plan who have elected the Consolidated Defined Benefit Assets option.

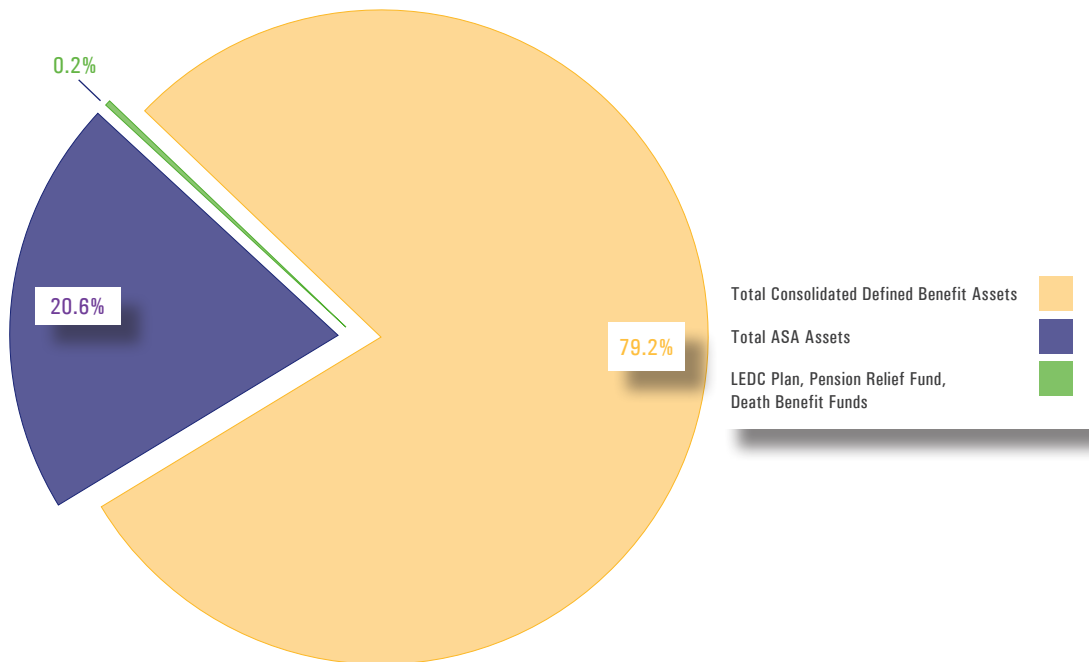
²ASA assets are directed by PERF and TRF members outside the Consolidated Defined Benefit Assets.

³Account balances directed outside the Legislators' Consolidated Defined Benefit Assets option.

⁴Assets are invested in a Money Market Fund with Bank of New York Mellon.

⁵Includes State Employees' Death Benefit Fund and Public Safety Officers' Special Death Benefit Fund.

⁶Includes Securities Lending Collateral, Repurchase Agreements, Investments Receivable, Interest and Dividends Receivable, Investments Payable, Securities Lending Obligations, and Securities Sold Under Agreement to Repurchase.



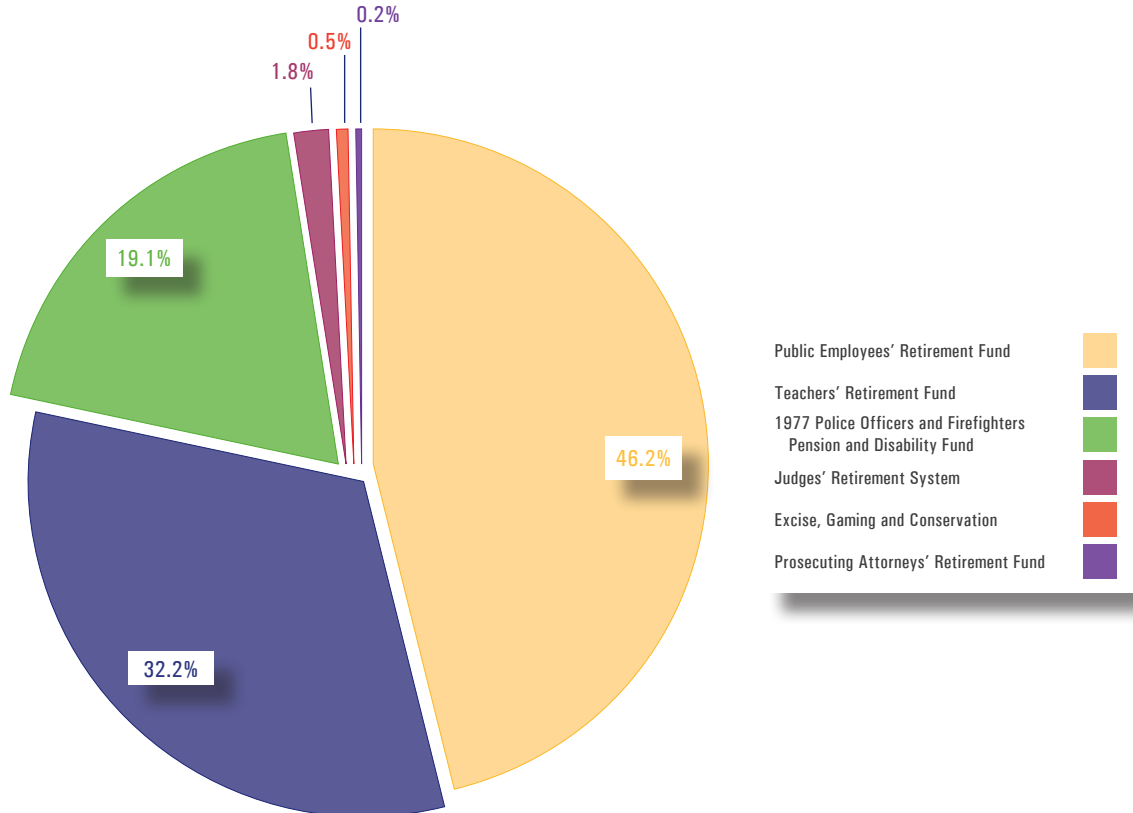
Investment Results Consolidated Defined Benefit Assets

Retirement Plans in Consolidated Defined Benefit Assets Fiscal Year Ended June 30, 2013

(dollars in millions)

Retirement Plan	Amount	Percent
Public Employees' Retirement Fund	\$ 9,918.5	46.2%
Teachers' Retirement Fund	6,925.1	32.2
1977 Police Officers' and Firefighters' Pension and Disability Fund	4,112.1	19.1
Judges' Retirement System	375.7	1.8
State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan	97.0	0.5
Prosecuting Attorneys' Retirement Fund	47.9	0.2
Legislators' Retirement System – Defined Benefit Plan	3.3	–
Legislators' Retirement System – Defined Contribution Plan	9.1	–
Total Consolidated Defined Benefit Assets¹	\$ 21,488.7	100.0%

¹Includes Securities Lending Collateral, Repurchase Agreements, Investments Receivable, Interest and Dividends Receivable, Investments Payable, Securities Lending Obligations, and Securities Sold Under Agreement to Repurchase.



Investment Results, continued Consolidated Defined Benefit Assets

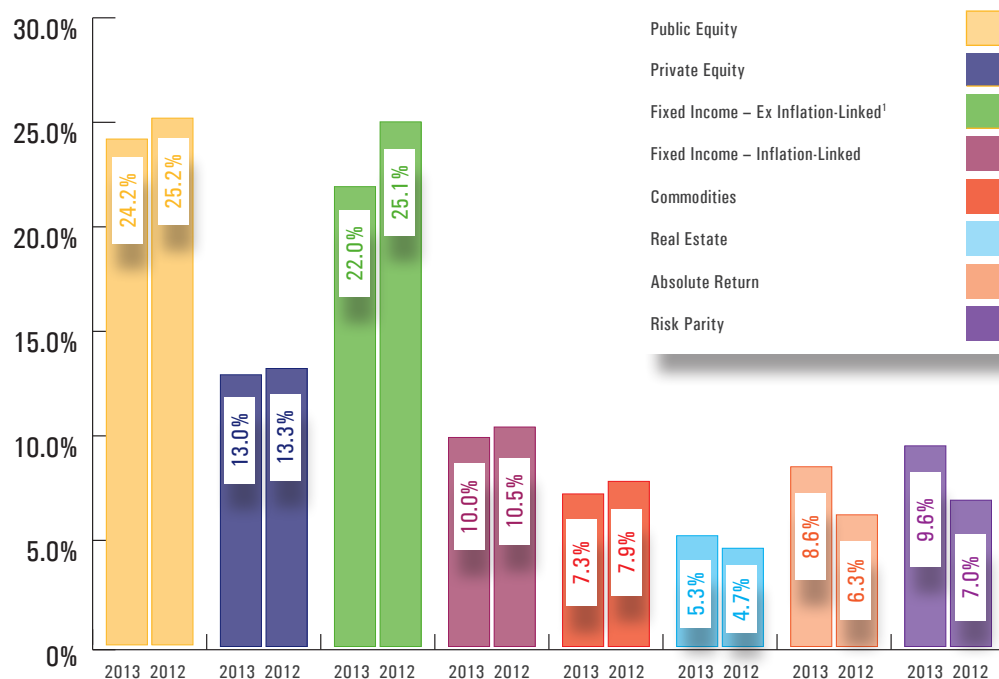
Asset Allocation Summary June 30, 2013 Actual vs. June 30, 2012 Actual

(dollars in millions)

Asset Class	June 30, 2013		June 30, 2012	
	Amount	Percent	Amount	Percent
Public Equity	\$ 5,205.9	24.2%	\$ 4,975.4	25.2%
Private Equity	2,793.3	13.0	2,621.0	13.3
Fixed Income – Ex Inflation-Linked ¹	4,735.2	22.0	4,943.8	25.1
Fixed Income – Inflation-Linked	2,144.4	10.0	2,078.7	10.5
Commodities	1,553.6	7.3	1,559.5	7.9
Real Estate	1,146.0	5.3	919.5	4.7
Absolute Return	1,848.2	8.6	1,241.0	6.3
Risk Parity	2,062.1	9.6	1,370.0	7.0
Total Consolidated Defined Benefit Assets²	\$ 21,488.7	100.0%	\$ 19,708.9	100.0%

¹Includes Cash

²Amounts disclosed above will agree to the Pooled Unit Trust Investments in the Financial Section, Note 3(H) Summary of Significant Accounting Policies. The amounts disclosed above are shown by investment strategy and will differ from the Statement of Net Position and Investment Type summary in the Financial Section, Note 3(F) Summary of Significant Accounting Policies, due to the investment strategy disclosure being related to a systematic plan to achieve returns and diversification and the investment type disclosure being related to the legal structure of the investment. The amounts disclosed include Securities Lending Collateral, Repurchase Agreements, Investments Receivable, Interest and Dividends Receivable, Investments Payable, Securities Lending Obligations, and Securities Sold Under Agreement to Repurchase.

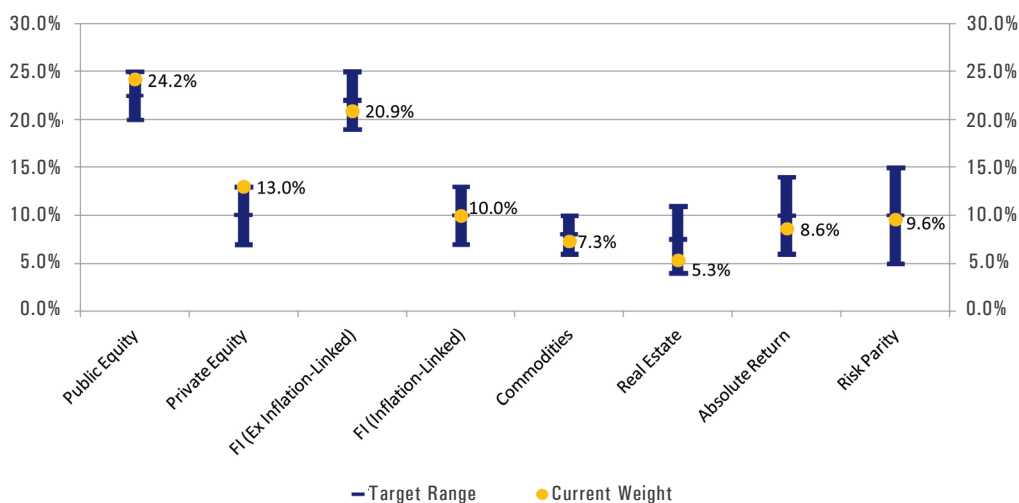


Investment Results, continued Consolidated Defined Benefit Assets

Asset Allocation Summary June 30, 2013 Actual vs. Target

Asset Class	June 30, 2013 Actual	Target	Allowable Range for Investments
Public Equity	24.2%	22.5%	20.0 to 25.0%
Private Equity	13.0	10.0	7.0 to 13.0
Fixed Income – Ex Inflation-Linked ¹	22.0	22.0	19.0 to 25.0
Fixed Income – Inflation-Linked	10.0	10.0	7.0 to 13.0
Commodities	7.3	8.0	6.0 to 10.0
Real Estate	5.3	7.5	4.0 to 11.0
Absolute Return	8.6	10.0	6.0 to 14.0
Risk Parity	9.6	10.0	5.0 to 15.0
Total Consolidated Defined Benefit Assets	100.0%	100.0%	

¹Includes Cash



NOTE: FI (Ex Inflation-Linked) is shown exclusive of cash and cash equivalents.

Investment Results, continued Consolidated Defined Benefit Assets

Annualized Rate of Return by Asset Class vs. Benchmark Returns Fiscal Year Ended June 30, 2013 (percent return)¹

Asset Class	1-Year ²		Actual Over / (Under) Benchmark (Pct. Points)	Benchmark
	Actual Return	Benchmark Return		
Public Equity	18.2 %	17.1 %	1.1	MSCI All Country World IMI Index (MSCI ACWI)
Private Equity	11.7	24.5	(12.8)	Russell 3000 Index Plus 300 Basis Points
Fixed Income - Ex Inflation-Linked	0.5	1.7	(1.2)	Barclays Capital Global Aggregate Index
Fixed Income - Inflation-Linked	(3.6)	(3.4)	(0.2)	Barclays Capital Global Inflation-Linked Bond Index
Commodities	(4.4)	(3.0)	(1.4)	Custom Benchmark ³
Real Estate	13.8	9.7	4.1	NCREIF Open End Diversified Core Equity Index
Absolute Return	6.9	7.2	(0.3)	HFRI Fund of Funds Composite Index
Risk Parity	(0.4)	10.7	(11.1)	Custom Benchmark ⁴
Total Consolidated Defined Benefit Assets	6.0 %	7.3 %	(1.3)	Custom Benchmark

¹Net of fees.

²Based on calculations made by the System's custodian, Bank of New York Mellon. Time-weighted rates of return have been reported for fiscal year 2013.

³50% Dow Jones UBS Commodity Index / 50% Goldman Sachs Commodity Index.

⁴60% MSCI ACWI IMI Index (Equities) / 40% Barclays Global Aggregate Bond Index (Bonds).

Investment Results, continued Consolidated Defined Benefit Assets

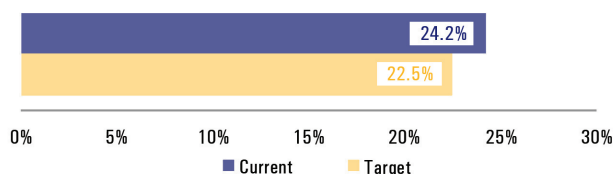
Asset Class Summary: Public Equity

Market Value as of 06/30/2013	INPRS 1-Year Net Performance	MSCI All Country World IMI Index 1-Year Performance
\$5,205.9 Million	18.2%	17.1%

Portfolio Objective

The Public Equity portfolio seeks to provide long-term capital appreciation and income through exposure to public equity securities. INPRS uses a variety of external managers to create a globally-diversified portfolio within the asset class. Historically, public equities have performed well in environments when actual economic growth came in higher than expectations and/or when actual inflation came in lower than expectations.

INPRS Allocation



Performance Attribution

INPRS one-year outperformance, relative to its benchmark, was primarily driven by: (1) The overweight to domestic equities versus developed international and emerging markets equities; and (2) The outperformance of the active international equity portfolio managers as compared to the benchmark.

Market Overview

Over the past year, global equities, as represented by the MSCI ACWI Index, were up 17.1 percent. Equity markets had a great twelve-month period as a result of the liquidity supplied by central banks around the world and improved economic fundamentals in the U.S. Based on the Russell 3000 Index, domestic equities were up 21.5 percent over the fiscal year. International equities were up 13.9 percent based on the MSCI ACWI ex US IMI Index.

For the first quarter of the fiscal year, global equities were up 7.0 percent. The significant provision of liquidity by central banks around the world was supportive to growth; providing a more bullish development for global equities. International equities outperformed domestic equities during the first quarter of the fiscal year.

In the second quarter, global equities were up 3.1 percent. The global rally was supported by the ECB's announcement that ECB would do "whatever it takes to preserve the Euro." Supportive underlining company fundamentals and stabilizing trends in China's economy further buoyed equity markets around the world. International equities outperformed domestic equities again during the second quarter of the fiscal year.

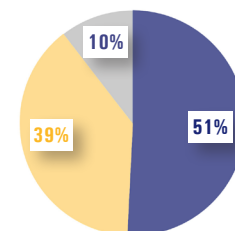
In the third quarter, global equities were up 6.8 percent. Excess liquidity started shifting out of cash into equities, pushing equity prices even higher. Domestic equities outperformed international equities during the third quarter, reversing the trend of the previous two quarters.

In the fourth quarter, global equities were up a modest 0.3 percent. The gains experienced in April and May were almost wiped out in June after Federal Reserve Chairman, Ben Bernanke, suggested it might be time to consider winding down the quantitative easing program. Meanwhile, the economic growth outlook for China also put negative pressure on global equity markets. Domestic equities outperformed international equities again in the fourth quarter.

Portfolio Structure

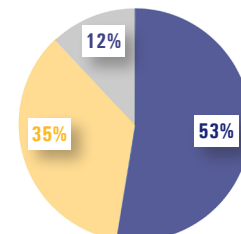
REGIONAL EXPOSURE

- Domestic (U.S.)
- Developed International
- Emerging Markets



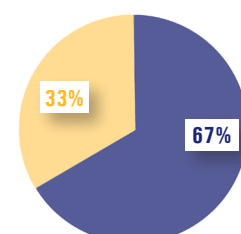
MARKET CAP EXPOSURE

- Large Cap
- Mid Cap
- Small/Micro Cap



INVESTMENT STRATEGY

- Active
- Passive



Investment Results, continued Consolidated Defined Benefit Assets

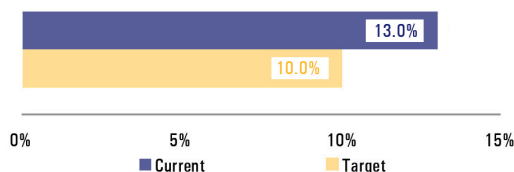
Asset Class Summary: Private Equity

Market Value as of 06/30/2013	INPRS 1-Year Net Performance	Custom Benchmark ¹ 1-Year Performance
\$2,793.3 Million	11.7%	24.5%

Portfolio Objective

The Private Equity portfolio seeks to provide risk-adjusted returns in excess of the public equity markets while simultaneously decreasing the volatility of the investment portfolio through diversification. The Private Equity portfolio is invested in the following sub-asset classes: venture and growth capital, buyout, energy, and debt-related strategies.

INPRS Allocation



Performance Attribution

Not surprisingly, given the performance of the public equity markets, the Private Equity portfolio had strong returns from its buyout funds. Performance in the Private Equity portfolio was led by domestic middle market buyout funds, which have produced a 20.5 percent net internal rate of return since inception. Similarly, domestic large buyout funds performed well returning 15.5 percent inception to date. Also bolstered by the public equity markets and the corresponding strong IPO market, late stage venture capital investments have returned 18.5 percent since inception. In addition to the strong performance in buyouts and late stage venture capital, the Private Equity portfolio's energy funds have returned 17.3 percent since inception.

The strong public equity markets coupled with borrower favorable credit markets resulted in a supportive exit environment for private equity. INPRS benefitted from this, receiving positive net cash flows of \$133.5 million from the private equity portfolio. Distributions during the fiscal year totaled \$600.3 million and contributions totaled \$466.8 million.

Portfolio Overview

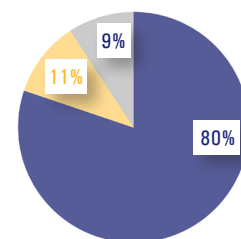
The Private Equity portfolio returned 11.7 percent for the fiscal year. Although an 11.7 percent return did not keep pace with the Russell 3000 index given the extreme upside performance of public equity markets, the private equity return was accretive to the overall INPRS portfolio long-term rate of return assumption of 6.75 percent by approximately 5.0 percentage points. It is also worthwhile to note that the Private Equity portfolio is diversified across venture and growth capital, buyouts, credit related strategies, and energy investments and as such will not generally track the Russell 3000 with consistency.

In fiscal year 2013, INPRS invested capital with six existing managers, totaling \$340 million of new commitments. Commitments ranged in size from \$40 million to \$90 million and were made to managers primarily in the buyout and energy sub-asset classes.

Portfolio Structure

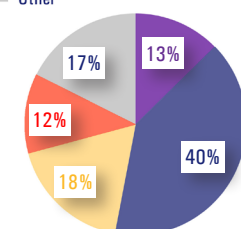
INVESTMENT BY REGION

■ U.S. ■ Europe ■ Rest of the World



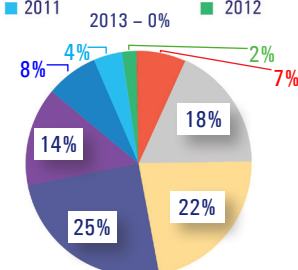
INVESTMENT BY SUB-ASSET CLASS

■ Venture/Growth ■ Buyout
■ Debt ■ Energy
■ Other



INVESTMENT BY VINTAGE YEAR

■ Pre-2006 ■ 2006
■ 2007 ■ 2008
■ 2009 ■ 2010
■ 2011 ■ 2012



¹Custom Benchmark is the Russell 3000 Index plus 300 basis points.

Investment Results, continued Consolidated Defined Benefit Assets

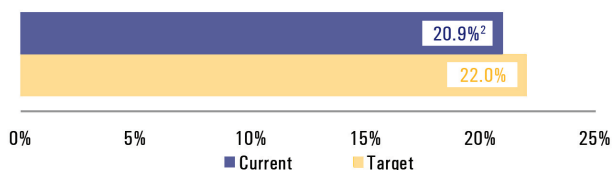
Asset Class Summary: Fixed Income – Ex Inflation-Linked

Market Value as of 6/30/2013 ¹	INPRS 1-Year Net Performance	Barclays Capital Global Aggregate Index 1-Year Performance
\$4,735.2 Million	0.5%	1.7%

Portfolio Objective

The Fixed Income portfolio seeks to generate current income and long-term risk-adjusted return in excess of the Barclays Capital Global Aggregate Index ("Benchmark") through investment in debt securities. A focus is placed on preservation of capital. To minimize the probability of substantial principal loss over the investment horizon, the objective is to reduce portfolio volatility prior to enhancing portfolio returns.

INPRS Allocation



Portfolio Overview

	INPRS	Benchmark
Duration to worst:	10.03	6.05
Yield to worst:	3.49%	2.03%
Credit quality:	A / A2	AA- / Aa2

Performance Attribution

For fiscal year 2013, the Fixed Income portfolio returned 0.5 percent, underperforming the benchmark by (1.2) percentage points. The portfolio's overweight to longer duration government and credit sectors were the main factors impacting performance.

Market Overview

Fiscal year 2013 was a year of transition. Market sentiment shifted from one of caution in the first half to one of optimism in the second half. Negative sentiment was primarily driven by concerns over the European debt crisis, global economic slowdown, U.S. 'fiscal cliff' and presidential election, and instability in the Middle East. Responses by global central banks on rate and stimulus, improving global economic data (e.g., corporate earnings), and commitment by policymakers to collaborate provided near-term stability.

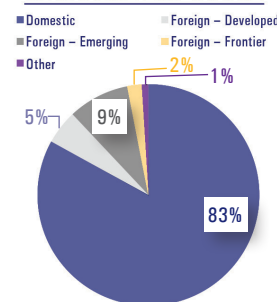
For the first quarter, weak global economic data, and concern over unity of European Union unsettled markets early. Rate cuts by central banks in China and European Union, an increase of £50 billion in the Bank of England's stimulus program, and an open-ended mortgage purchase program of \$40 billion per month, engineered by Federal Reserve, sparked a rally across risk assets late in the first quarter. INPRS Fixed Income portfolio returned 3.2 percent for the quarter; with the portfolio's overweight to corporate, ABS, and MBS sectors as the main contributors.

For the second quarter, domestic elections, a looming 'fiscal cliff', and concern over peripheral European countries dominated headlines early. The re-election of President Obama provided near-term resolution of the 'fiscal cliff'. The execution of a debt exchange program in Europe provided stability later in the quarter. INPRS Fixed Income portfolio returned 1.4 percent for the quarter; the portfolio's overweight to the corporate sector was the main contributor.

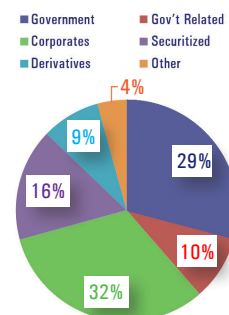
For the third quarter, soft international economic data affirmed accommodative monetary policy at international central banks. Domestic economic conditions exhibited signs of recovery, despite some impact of sequestration and discussion by the Federal Reserve to reduce stimulus. INPRS Fixed Income portfolio returned 0.5 percent for the quarter; the portfolio's yield curve positioning was the main detractor.

For the fourth quarter, major market movements were tied to monetary policy of global central banks, especially the Federal Reserve and Bank of Japan. Domestic economic conditions continued to exhibit signs of recovery while discussion on a potential reduction of stimulus at Federal Reserve continued. INPRS Fixed Income portfolio declined (4.4) percent for the quarter; portfolio's overweight to long duration government and credit sectors were the main detractors.

REGIONAL EXPOSURE



SECTOR EXPOSURE



Investment Results, continued Consolidated Defined Benefit Assets

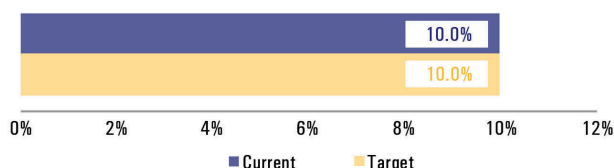
Asset Class Summary: Fixed Income – Inflation-Linked

Market Value as of 6/30/2013	INPRS 1-Year Net Performance	Barclays Capital Global Inflation-Linked Bond Index 1-Year Performance
\$2,144.4 Million	(3.6)%	(3.4)%

Portfolio Objective

The Global Inflation-Linked Bonds (“ILBs”) portfolio seeks to generate long-term risk-adjusted return in excess of the Barclays Capital Global Inflation-Linked Bond Index (“Benchmark”) through investment in inflation-linked securities, and to provide protection against unanticipated inflation.

INPRS Allocation



Portfolio Overview

	INPRS	Benchmark
Duration to worst:	9.41	8.67
Yield to worst:	2.12%	2.03%
Credit quality:	AA + /Aaa	AA + /Aaa

Performance Attribution

INPRS one-year underperformance of (0.2) percentage points relative to its benchmark was the result of the portfolio's overweight to U.S. Treasury Inflation Protected Securities (“TIPS”).

Market Overview

Fiscal year 2013 was a year of transition. Market sentiment shifted from one of caution in the first half to one of optimism in the second half. Negative sentiment was primarily driven by concerns over European debt crisis, global economic slowdown, U.S. ‘fiscal cliff’ and presidential election, and instability in the Middle East. Responses from global central banks on rate and stimulus, improving global economic data and corporate earnings, and commitment by policymakers to collaborate provided near-term stability.

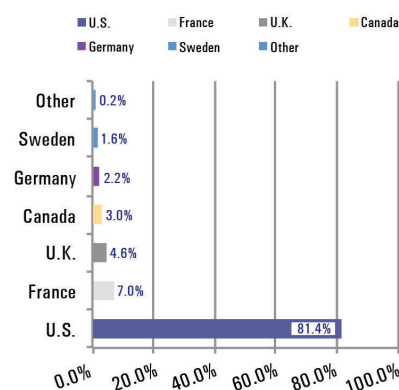
For the first quarter, weak global economic data, and concern over unity of European Union unsettled markets early. Rate cuts and accommodative monetary policy by global central banks sparked rally across risk assets later in the quarter. Longer term inflationary concern caused the U.S. breakeven level to widen. The INPRS ILBs portfolio returned 2.4 percent for the quarter; the portfolio's overweight to TIPS was the main contributor.

For the second quarter, domestic elections, the looming ‘fiscal cliff,’ and concern over peripheral European countries dominated headlines early. The re-election of President Obama provided near-term resolution of the ‘fiscal cliff,’ and dovish monetary policy by global central banks provided stability later in the quarter. Longer term inflationary concern continued to cause the U.S. breakeven level to widen. INPRS ILBs portfolio returned 1.0 percent for the quarter; the portfolio's overweight to TIPS was the main contributor.

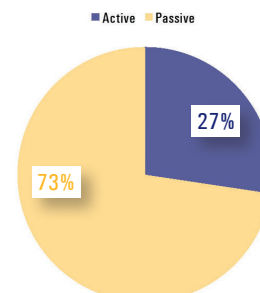
For the third quarter, soft international economic data affirmed accommodative monetary policy at international central banks. Domestic economic conditions exhibited signs of recovery, despite some impact of sequestration and discussion by the Federal Reserve to reduce stimulus. The breakeven level widened the most in the U.K. as compared to other countries. INPRS ILBs portfolio declined (0.2) percent for the quarter; with portfolio's underweight to ex-U.S. inflation-linked bonds as the main detractor.

For the fourth quarter, major market movements were tied to monetary policy of global central banks, especially the Federal Reserve and Bank of Japan. Domestic economic conditions continued to exhibit signs of recovery while discussion of a potential reduction of stimulus at Federal Reserve continued. The U.S. breakeven level narrowed sharply due to hawkish comments by the Federal Reserve. INPRS ILBs portfolio declined (6.6) percent for the quarter; the portfolio's overweight to TIPS was the main detractor.

COUNTRY EXPOSURE



MANAGEMENT STYLE



Investment Results, continued Consolidated Defined Benefit Assets

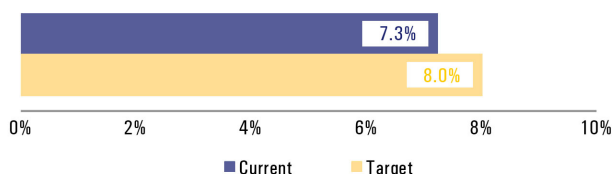
Asset Class Summary: Commodities

Market Value as of 6/30/2013	INPRS 1-Year Net Performance	Custom Benchmark ¹ 1-Year Performance
\$1,553.6 Million	(4.4)%	(3.0)%

Portfolio Objective

The purpose of the Commodities portfolio is to enhance long-term risk-adjusted returns by preserving investment capital and lowering overall volatility. The portfolio should also act as a hedge against unanticipated inflation. Commodity investments have historically delivered returns that are less correlated with equity and fixed income markets which may provide an opportunity to enhance returns and/or reduce volatility.

INPRS Allocation



Performance Attribution

The Commodities portfolio one-year total return trailed its benchmark by (1.4) percentage points. Commodities' total return is comprised of two components: (1) commodity futures return; and (2) collateral return. The one-year return for each of these components was approximately (2.9) percent and (1.5) percent, respectively.

Market Overview

The Commodities portfolio exposure is approximately equal to a 50/50 blend of the Dow Jones UBS Commodity Index and the S&P Goldman Sachs Commodity Index. For the fiscal year, these indexes returned (8.0) percent and 2.0 percent, respectively.

For the first quarter, commodity prices moved sharply higher, erasing losses experienced over the first half of the calendar year. Both agricultural markets and natural gas experienced sharp weather-related gains in July and August. The Federal Reserve's announcement of a third round of quantitative easing contributed to strong buying in both precious metals and industrial metals, and heightened expectations for global stimulus helped WTI crude oil gain approximately 8.5 percent over the quarter.

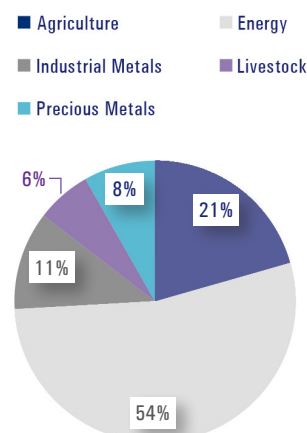
For the second quarter, steady declines in most of the major commodity indices were seen, with agricultural commodities retracing their first quarter weather-related gains. Despite the commitment by the Federal Reserve to keep rates low for an extended period, gold, silver and copper all fell considerably during the quarter.

For the third quarter, commodity indices continued to experience dampened volatility throughout the quarter, as most major indices delivered flat returns over the period. At the individual commodity level, WTI crude oil advanced 6.0 percent, as the completion of the Seaway pipeline expansion allowed oil to flow from Cushing, OK to refineries along the Gulf of Mexico. Natural Gas prices moved sideways in January and February before a strong rally in March. Finally, industrial metals suffered sharp declines during the second half of the quarter due largely to over supply, disappointing economic data in the U.S. and continued uncertainty in Europe.

Commodity prices fell broadly in the fourth quarter with only a small number of index components recording gains. Prices fell sharply following comments by the Federal Reserve regarding a potential tapering of the asset purchasing program. Precious metal prices led the declines falling to multi-year lows. WTI Crude Oil prices were largely unchanged for the quarter, while Brent Crude Oil lost over (7.0) percent. In agricultural commodities, corn prices moved lower due to record plantings, while soybeans prices gained on late planting concerns.

Portfolio Structure

SECTOR WEIGHTS²



Investment Results, continued Consolidated Defined Benefit Assets

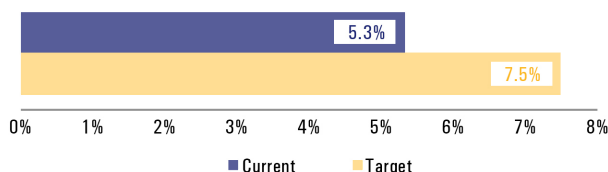
Asset Class Summary: Real Estate

Market Value as of 6/30/2013	INPRS 1-Year Net Performance	NCREIF Open End Diversified Core Equity Index 1-Year Performance
\$1,146.0 Million	13.8%	9.7%

Portfolio Objective

The Real Estate portfolio is mostly comprised of investments in private real estate partnerships, and the underlying exposures are a mix of debt and equity holdings. The portfolio seeks to generate attractive risk-adjusted returns by providing stable current income and preserving investment capital. The portfolio should also reduce volatility by providing a hedge against unanticipated inflation and through the diversification benefits provided by real estate investments.

INPRS Allocation



Performance Attribution

For fiscal year 2013, the Real Estate portfolio outperformed its benchmark by 4.1 percentage points. Both the real estate debt and equity portfolios contributed to the outperformance, returning 14.9 percent and 13.0 percent, respectively.

Market Overview

With a return of 13.8 percent, the INPRS private equity real estate portfolio was one of the best-performing major asset classes during the fiscal year, trailing only the global public equity portfolio. Returns for the two major private real estate equity benchmarks, NCREIF Property Index (NPI) and NFI-ODCE, were 10.5 percent and 9.7 percent, respectively, for the one-year period.

For the first quarter, the NPI returned 2.3 percent. This was (0.3) percent lower than the return for the prior quarter, with lower appreciation accounting for (0.3) percent of the weaker performance. Apartments, with a total return of 2.4 percent, was the best performing property type in the index; followed by office and industrial, both of which returned 2.3 percent for the quarter.

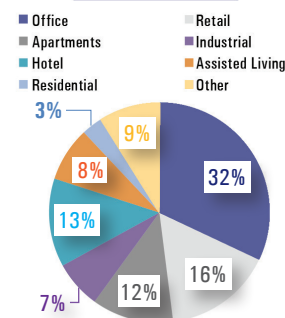
For the second quarter, interest rates remained low. The 10-year Treasury finished the calendar year with a yield of 1.8 percent. Although transactional capitalization rates (cap rates) from NCREIF moved up in the fourth quarter, they remained near historically low levels. Retail was the best performing sector during the quarter, returning 3.0 percent; followed by apartments, which registered a total return of 2.8 percent.

For the third quarter the NPI returned 2.6 percent. Retail was the best performing sector, up 3.7 percent. Apartments and Industrial also outperformed the broad index, returning 2.6 percent and 2.5 percent, respectively. Highly-quality assets in gateway cities continued to be in strong demand during the quarter.

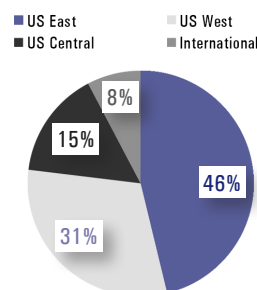
For the fourth quarter, index performance was up 2.9 percent. Retail and industrial were the top-performing sectors, with both sectors up 3.2 percent. Interest rates moved up during the quarter following comments from the Federal Reserve regarding a potential tapering of the asset purchasing program. As a result of the increase in interest rates, the cap rate spread over the 10-year Treasury narrowed during the quarter, moving closer to the average historical spread.

Portfolio Structure

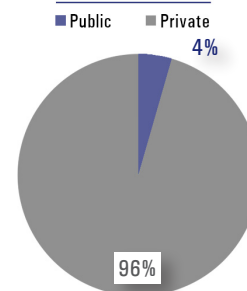
PROPERTY TYPE¹



PROPERTY LOCATION



MARKET TYPE



¹Estimated

Investment Results, continued Consolidated Defined Benefit Assets

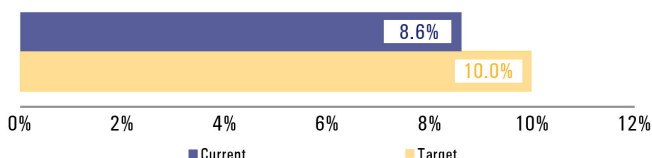
Asset Class Summary: Absolute Return

Market Value as of 6/30/2013	INPRS 1-Year Net Performance	HFRI Fund of Funds Composite Index 1-Year Performance
\$1,848.2 Million	6.9%	7.2%

Portfolio Objective

The purpose of the Absolute Return Strategies Program is to enhance the long-term risk-adjusted returns by providing diversification benefits, preserving capital, and reducing volatility. Absolute Return Strategies generate returns by exploiting mispricing and inefficiencies in global capital markets, while attempting to reduce exposures to primary market factors (e.g., interest rates and equities) through various hedging techniques. These strategies have historically delivered returns that are less correlated with equity and fixed-income markets than traditional investment strategies. It is important to maintain an appropriate level of diversification among investment strategies in order to most effectively meet these stated objectives. At the end of the fiscal year, the Absolute Return portfolio consisted of 17 managers pursuing various investment strategies including long/short equity, event driven, relative value, and tactical trading.

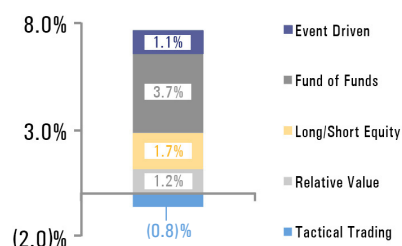
INPRS Allocation



Performance Attribution

The Absolute Return portfolio underperformed the benchmark HFRI Fund of Funds Composite Index by (0.3) percentage points due to the portfolio's: (1) overweight vs. the benchmark to tactical trading managers, whose lack of equity beta led to underperformance; and (2) short- and medium-term Commodity Trading Advisors (CTA's).

Contribution to Performance by Strategy



Market Overview

The Absolute Return portfolio performed well in what was a risk-on environment catalyzed and supported by the accommodative monetary policy being deployed by global central banks.

For the first quarter, reiteration of the "Draghi put" and the announcement of QE3 were the drivers of performance, which ended with an across-the-board rally in risk assets and positive performance across hedge fund categories.

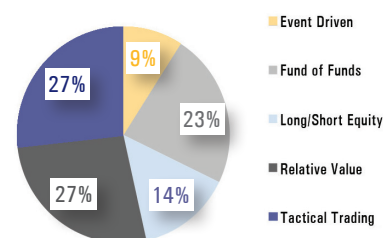
For the second quarter, uncertainty surrounding the U.S. Presidential election and debt ceiling negotiations pushed the U.S. Dollar higher, which served as a headwind to domestic equities; however, credit spreads continued to compress and international equities rallied. Most hedge fund strategies performed well, but macro strategies generally suffered during the quarter from a range-bound trading environment that plagued them throughout the calendar year.

For the third quarter, risk assets continued to rally due to congressional compromises on the 'fiscal cliff' and sequestration followed by swift action to quell the Cypriot banking crisis. Domestic and international equities began to diverge in early February as positive domestic economic/housing data defied deteriorating international data, which led the U.S. Dollar to rally against developed and emerging currencies. Hedge funds performed well as higher concentrations in domestic assets and fundamental analysis were rewarded. Macro fund winners were short JPY/USD, AUD/USD, US Treasuries, and/or Gold.

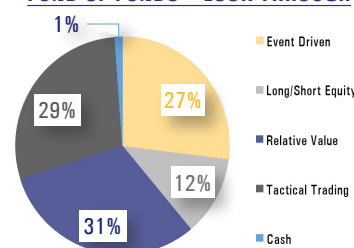
For the fourth quarter, hawkish comments by Japanese and U.S. central bankers resulted in a volatile quarter – only domestic equities and the U.S. Dollar gained. All strategies suffered, delivering mostly flat returns for the quarter, but macro and CTA strategies were especially hurt by moves in international currencies and equities and U.S. rates.

Portfolio Composition

FUND OF FUNDS – AGGREGATED



FUND OF FUNDS – LOOK-THROUGH



Investment Results, continued Consolidated Defined Benefit Assets

Asset Class Summary: Risk Parity

Market Value as of 6/30/2013	INPRS 1-Year Net Performance	Custom Benchmark ¹ 1-Year Performance
\$2,062.1 Million	(0.4)%	10.7%

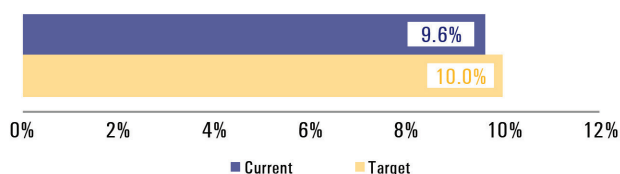
Portfolio Objective

The Risk Parity portfolio seeks to create risk balance that is capable of delivering consistent and high risk adjusted returns in several macro-economic environments. Unlike a traditional asset allocation that is highly dependent on positive equity returns, the Risk Parity portfolio is constructed to accrue various asset class risk premiums, including equity, without long-term dominance from any single asset class. As a result, the underperformance of a given asset class in a particular environment is expected to be offset by the outperformance of another asset with an opposing sensitivity to the environment.

The Risk Parity portfolio rests on the following key tenets:

1. Over a full market cycle, most asset classes carry a risk premium, and by investing in them, investors expect to earn a return higher than that offered by cash instruments.
2. The return of a particular asset class is proportional to its risk over long periods of time (i.e., different asset classes have similar Sharpe ratios).
3. True diversification goes beyond simple capital allocation and, instead, focuses on risk allocation.
4. The main drivers of returns are growth and inflation factors, and certain asset classes perform better than others depending on the particular combination of such factors the economy is facing.

INPRS Allocation



Performance Attribution

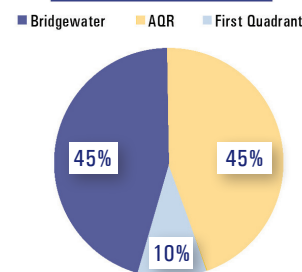
A relevant passive market equivalent does not currently exist for the Risk Parity portfolio; therefore, we continue to use a traditional portfolio of 60 percent global equities and 40 percent global bonds as a benchmark for long-term return and risk comparisons, despite expectations of significant tracking error. For fiscal year 2013, the Risk Parity portfolio underperformed the traditional portfolio by (11.1) percentage points due to the significant outperformance of equities versus other major asset classes.

Market Overview

Fiscal year 2013 was a tale of two distinct environments. Driven by ample central bank liquidity across the globe, the first ten months of the fiscal year provided support and positive returns for each of the major asset classes. Over this time period, the Risk Parity portfolio returned 11.3 percent. However, following public statements by Federal Reserve Chairman Ben Bernanke on May 22nd and June 19th, markets had difficulty digesting the possibility that the Federal Reserve may begin to decelerate asset purchases sooner than expected. As a result, all major asset classes had negative returns from May 22nd through the end of the fiscal year, with cash serving as the only safe haven. The Risk Parity portfolio, which consistently holds a diversified mix of asset classes, finished the fiscal year with a (0.4) percent return.

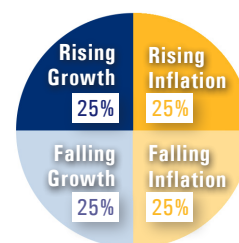
Portfolio Structure

MANAGER ALLOCATION



TARGET RISK ALLOCATION

Exposure to asset classes that perform well in the following economic environments



¹Custom Benchmark comprised of 60% MSCI ACWI IMI Index (equities) and 40% Barclays Global Aggregate Bond Index (bonds).

Investment Results, continued Consolidated Defined Benefit Assets

Historical Comparative Investment Results¹ Fiscal Year Ended June 30, 2013 (percent return)²

	Percent of Portfolio	Annualized Rates of Return		
		1-Year ³	3-Year ³	5-Year ³
Total Consolidated Defined Benefit Assets	100.0%	6.0 %	8.4 %	3.0 %
vs. BNY Mellon Public Universe Median ⁴		12.4	11.6	5.2
Target Reference Index ⁵		7.3	8.6	3.0
 Total Domestic Equity	 12.6	 21.1	 18.5	 7.5
vs. BNY Mellon Public Universe Median		21.6	18.8	7.1
Russell 3000 Index		21.5	18.6	7.3
 Total International Equity	 11.6	 15.1	 8.8	 (0.3)
vs. BNY Mellon Public Universe Median		16.3	9.7	0.1
MSCI ACWI ex U.S. IMI Net		13.9	8.1	(0.4)
 Total Domestic Fixed Income	 18.8	 1.2	 4.9	 6.4
vs. BNY Mellon Public Universe Median		1.0	4.9	6.1
Barclays U.S. Aggregate Bond Index		(0.7)	3.5	5.2
 Total International Fixed Income ⁶	 2.1	 (12.4)	 (1.2)	 N/A
vs. BNY Mellon Public Universe Median		2.2	5.6	5.3
Barclays Global Aggregate ex-USD (USDH)		3.3	3.4	4.8

¹As the investment objectives and resulting portfolio construction of INPRS may differ from those in the listed peer universes, the most relevant evaluation of INPRS' performance will be against the investment imperatives outlined in the report from the Chief Investment Officer and the cited benchmarks for each asset class.

²Net of fees.

³Investment performance is based on calculations made by the system's custodian, BNY Mellon. The 1-year, 3-year, and 5-year performance returns are time-weighted rates of return based on the market rates of return.

⁴Universe of Public Funds.

⁵Benchmark history through December 31, 2011, represents composite returns for the legacy PERF and TRF dynamic policies and have been combined using dynamic market weights each month and are reported under the single Total Consolidated Benefit Assets structure beginning January 1, 2012.

⁶Inception date of International Fixed Income was November 2008. As of June 30, 2013, the Total International Fixed Income portfolio primarily comprised of emerging market debt as the portfolio continued through a transitional phase.

Investment Results, continued Consolidated Defined Benefit Assets

Ten-Year Investment Rates of Return

(dollars in millions)

Fiscal Year Ended June 30		Market Value of Assets	Rate of Return ¹	Actuarial Assumed Rate
2004	PERF CRIF ²	11,338.2	16.3 %	7.25 %
	TRF DB Assets ³	3,738.0	14.8	7.50
2005	PERF CRIF	12,435.3	9.8	7.25
	TRF DB Assets	4,041.0	9.1	7.50
2006	PERF CRIF	13,694.9	10.7	7.25
	TRF DB Assets	4,521.0	11.2	7.50
2007	PERF CRIF	16,114.3	18.2	7.25
	TRF DB Assets	5,501.0	17.9	7.50
2008	PERF CRIF	14,851.0	(7.6)	7.25
	TRF DB Assets	5,252.0	(6.0)	7.50
2009	PERF CRIF	11,795.1	(20.6)	7.25
	TRF DB Assets	4,236.0	(18.0)	7.50
2010	PERF CRIF	13,314.0	13.9	7.25
	TRF DB Assets	5,073.0	14.8	7.50
2011	PERF CRIF	15,796.6	20.1	7.00
	TRF DB Assets	5,984.0	18.2	7.00
2012	INPRS ⁴	19,708.9	0.7	7.00
2013	INPRS	21,488.7	6.0	6.75

¹Net of fees; 2004-2011 reported as Gross of fees.

²Public Employees' Retirement Fund Consolidated Retirement Investment Fund

³Teachers' Retirement Fund Defined Benefit Assets.

⁴INPRS Consolidated Defined Benefit Assets.

Statistical Performance Fiscal Year Ended June 30, 2013

Statistic	1-Year	3-Years	5-Years	10-Years
Annualized Rate of Return	6.0%	8.4%	3.0%	5.9%
Annualized Standard Deviation	4.34	7.11	11.71	9.84
Annualized Sharpe Ratio	1.34	1.16	0.29	0.47
Beta	0.41	0.48	0.60	0.63
Annualized Alpha	(2.80)	(0.63)	(0.10)	(0.30)
Correlation	0.60	0.91	0.94	0.93

Market proxy is the S&P 500.

Risk Free proxy is the Citigroup 3-month Treasury Bill.

Definition of Key Terms:

Standard Deviation: A statistic used to measure the dispersion in a distribution. Dispersion is measured relative to the mean, or average of the distribution. The greater the dispersion, the higher the risk associated with the pattern of observations. One standard deviation describes two-thirds of the observations in a normal, or bell-shaped distribution. In an asset allocation context, standard deviation is a conventional proxy for risk or volatility.

Sharpe Ratio: Ratio used to measure risk-adjusted performance. The Sharpe Ratio is calculated by subtracting a risk-free rate (proxy) from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns. The Sharpe Ratio provides insight on excess risk held in the portfolio. The greater a portfolio's Sharpe Ratio, the better its risk-adjusted performance has been. A negative Sharpe Ratio indicates that a risk-less asset would perform better than the security being analyzed.

Beta: A measure of the volatility, or systematic risk, of a security or portfolio in comparison to the market as a whole. Beta is the tendency of a security's return to respond to swings in the market. A Beta of less than one (1) indicates less volatility than the market. A Beta of greater than one (1) indicates greater volatility than the market.

Alpha: A measure of performance on a risk-adjusted basis. Alpha is the difference between the actual performance of the fund and the performance which should have been achieved given the market's performance and the fund's risk posture.

Correlation: A statistical measure of how two (2) securities move in relation to each other. A correlation of 1.0 indicates similar magnitude and direction of change. A correlation of negative (1.0) indicates similar magnitude, but opposite direction. A correlation of zero indicates the relationship is purely random. Often, the correlation is squared and known as R-squared or the Coefficient of the Correlation.

Investment Results

Annuity Savings Accounts and Legislators' Defined Contribution Plan

Assets by Investment Option Fiscal Year Ended June 30, 2013

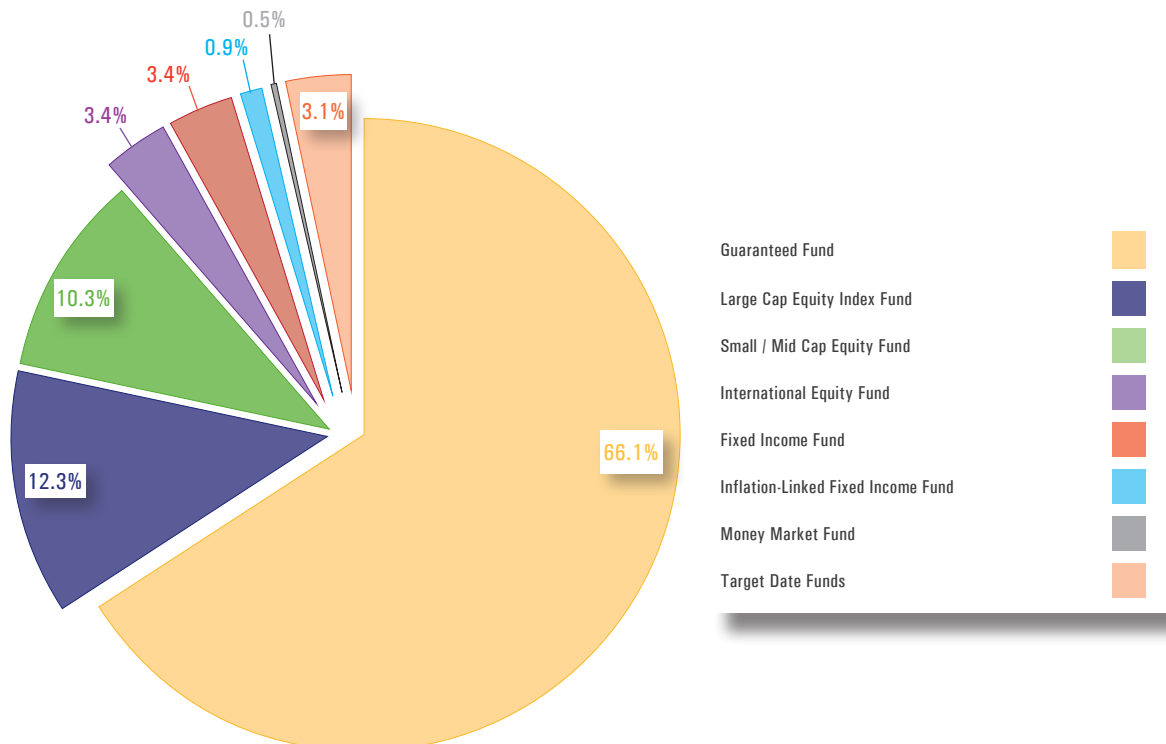
(dollars in millions)

Investment Option	ASA & LEDC Plan Assets ¹	Percent of Self-Directed Investments
Guaranteed Fund	\$ 3,701.0	66.1%
Large Cap Equity Index Fund	688.5	12.3
Small / Mid Cap Equity Fund	577.4	10.3
International Equity Fund	191.2	3.4
Fixed Income Fund	189.3	3.4
Inflation-Linked Fixed Income Fund	50.6	0.9
Money Market Fund	24.8	0.5
Stable Value Fund	1.1	—
Target Date Funds ²	174.2	3.1
Pending Contributions	0.4	—
Total ASA and LEDC Plan Assets³	\$ 5,598.5	100.0%

¹Assets include all PERF and TRF ASA assets and the LEDC Plan account balances allocated outside of the Consolidated Defined Benefit Assets option.

²Consolidated market values of all Target Date Funds.

³Includes Repurchase Agreements, Investments Receivable, Interest and Dividends Receivable, Investments Payable, and Securities Sold Under Agreement to Repurchase.



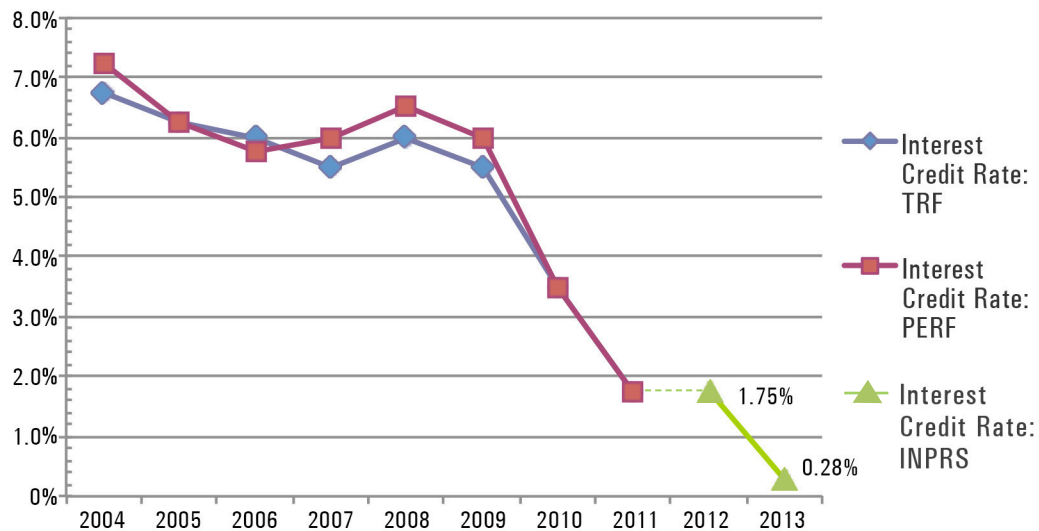
Investment Results, continued

Annuity Savings Accounts and Legislators' Defined Contribution Plan

Annuity Savings Accounts Ten-Year Guaranteed Fund Interest Crediting Rates

Fiscal Year	Interest Crediting Rate		
	INPRS	PERF	TRF
2004	N/A	7.25%	6.75%
2005	N/A	6.25	6.25
2006	N/A	5.75	6.00
2007	N/A	6.00	5.50
2008	N/A	6.50	6.00
2009	N/A	6.00	5.50
2010	N/A	3.50	3.50
2011	N/A	1.75	1.75
2012 ¹	1.75%	N/A	N/A
2013	0.28	N/A	N/A

¹Guaranteed Fund assets of PERF and TRF were unitized as of January 1, 2012.



Investment Results, continued

Annuity Savings Accounts and Legislators' Defined Contribution Plan

Historical Annualized Rate of Return by Investment Option vs. Benchmark Returns Fiscal Year Ended June 30, 2013 (percent return)¹

Investment Option	1-Year ²	3-Year ²	5-Year ²
Guaranteed Fund	0.28 %	1.3 %	2.7 %
Large Cap Equity Index Fund	20.6	18.5	6.9
<i>S&P 500 Index</i>	20.6	18.5	7.0
Small / Mid Cap Equity Fund	25.0	19.3	9.1
<i>Russell Small Cap Completeness Index</i>	25.6	19.2	8.6
International Equity Fund	14.5	8.7	(0.2)
<i>MSCI ACWI ex US Index</i>	14.1	8.5	(0.3)
Fixed Income Fund	0.4	4.4	6.1
<i>Barclays U.S. Aggregate Bond Index</i>	(0.7)	3.5	5.2
Inflation-Linked Fixed Income Fund	(4.1)	4.5	4.6
<i>Barclays U.S. TIPS Index</i>	(4.8)	4.6	4.4
Money Market Fund	0.1	0.2	0.4
<i>Citigroup 3-Month T-Bill Index</i>	0.1	0.1	0.2
Stable Value Fund ³	2.9	3.3	3.9
<i>Citigroup 3-Month T-Bill Index</i>	0.1	0.1	0.2
Target Date Funds⁴:			
Retirement Fund	1.4	5.1	5.1
<i>Retirement Fund Index</i>	0.0	4.0	3.7
Retirement Fund 2015	2.8	6.0	5.2
<i>2015 Fund Index</i>	1.5	5.1	4.1
Retirement Fund 2020	4.4	7.0	5.3
<i>2020 Fund Index</i>	3.5	6.3	4.5
Retirement Fund 2025	6.8	8.4	5.1
<i>2025 Fund Index</i>	6.0	7.9	4.6
Retirement Fund 2030	10.1	10.0	4.5
<i>2030 Fund Index</i>	9.6	9.6	4.1
Retirement Fund 2035	11.8	10.6	4.4
<i>2035 Fund Index</i>	11.4	10.2	4.1
Retirement Fund 2040	12.0	10.6	4.4
<i>2040 Fund Index</i>	11.5	10.3	4.1
Retirement Fund 2045	12.0	10.6	4.4
<i>2045 Fund Index</i>	11.5	10.3	4.1
Retirement Fund 2050	12.0	10.6	4.4
<i>2050 Fund Index</i>	11.5	10.3	4.1
Retirement Fund 2055	12.0	10.6	4.4
<i>2055 Fund Index</i>	11.5	10.3	4.1

¹Net of fees.

²Based on performance calculations made by the system's recordkeeper, Xerox.

The 1-year, 3-year, and 5-year performance returns are time-weighted rates of return for the fiscal year ended June 30, 2013. Prior to July 30, 2010, all data presented (excluding the Guaranteed Fund) is calculated from manager composite performance. After July 30, 2010, all performance presented consists of actual investment returns experienced by members.

³Investment Fund Option in the Legislators' Defined Contribution Plan only.

⁴Target Date Fund benchmarks are comprised of performance data using a passive strategy with the same asset allocation of each Target Date Fund.

List of Largest Assets Held

Top Ten Equity Holdings Fiscal Year Ended June 30, 2013 (by Market Value)¹

(dollars in thousands)

Company	Shares	Market Value
Apple Inc.	107,550	\$ 42,598
Exxon Mobil Corp.	400,321	36,169
Google Inc.	40,944	36,046
Microsoft Corp.	1,009,249	34,849
Novartis	416,904	29,566
Johnson & Johnson	344,337	29,565
Roche	118,441	29,418
Wells Fargo & Co.	643,285	26,548
Visa Inc.	144,889	26,478
Nestle	395,054	25,867

¹A complete list of portfolio holdings is available upon request.

Top Ten Fixed Income Holdings Fiscal Year Ended June 30, 2013 (by Market Value)¹

(dollars in thousands)

Description	Coupon Rate	Maturity Date	Par Value	Market Value
U.S. Treasury - CPI Inflation Index Bond	0.125%	4/15/16	\$ 199,043	\$ 204,159
U.S. Treasury - CPI Inflation Index Bond	0.125	1/15/23	161,371	156,467
U.S. Treasury Bond	3.125	2/15/43	166,695	155,599
U.S. Treasury Note	2.000	2/15/23	140,927	135,631
U.S. Treasury - CPI Inflation Index Bond	0.125	4/15/17	125,211	128,469
U.S. Treasury - CPI Inflation Index Bond	0.125	1/15/22	129,685	127,020
U.S. Treasury - CPI Inflation Index Bond	0.500	4/15/15	117,438	120,365
U.S. Treasury - CPI Inflation Index Bond	1.125	1/15/21	107,376	114,833
U.S. Treasury - CPI Inflation Index Bond	0.125	7/15/22	111,631	109,111
U.S. Treasury - CPI Inflation Index Bond	1.250	7/15/20	85,254	92,608

¹A complete list of portfolio holdings is available upon request.

Top Ten Brokers' Commission Fees Fiscal Year Ended June 30, 2013

(dollars in thousands)

Broker	Amount Paid in Fees
Morgan Stanley & Co. Inc.	\$ 556
Goldman Sachs & Co.	282
Newedge USA LLC	229
Pershing LLC	100
JonesTrading Institutional Services	98
Instinet Europe Limited	88
Deutsche Bank	80
Instinet Corp.	78
UBS Securities LLC	74
Sanford C Benstein & Co.	65
Top Ten Brokers' Commission Fees	1,650
Other Brokers	2,002
Total Brokers' Commission Fees	\$ 3,652

Schedule of Investment Management Fees

Investment Management Fees by Asset Class Fiscal Year Ended June 30, 2013

(dollars in thousands)

Asset Class	Investment Management Fees
Consolidated Defined Benefit Assets	
Public Equity	\$ 18,106
Private Equity	35,324
Fixed Income – Ex Inflation-Linked	9,648
Fixed Income – Inflation-Linked	4,151
Commodities	8,810
Real Estate	5,174
Absolute Return	35,812
Risk Parity	5,457
Total Consolidated Defined Benefit Assets	122,482
Annuity Savings Account Assets	4,611
Total Investment Management Fees	\$ 127,093

Consolidated Defined Benefit Assets

Custodian

Bank of New York Mellon

Consultants

Aksia (Absolute Return)
ORG Real Property (Real Assets: Real Estate)
Strategic Investment Solutions (General: Defined Benefit)
Strategic Investment Solutions (Private Equity)

Public Equity

Altrinsic Global Advisors, LLC
Arrowstreet Capital, LP
Artisan Partners Limited Partnership
Baillie Gifford & Company
Barrow Hanley
BlackRock Institutional Trust
Columbus Circle Investors
Delaware
DePrince Race & Zollo
Disciplined Growth Investors
Earnest Partners, LLC
Gryphon
JP Morgan
Leading Edge Investment Advisors
Mondrian Investment Partners, Inc.
Rhumblin Advisers
Schroders
Times Square Capital Management, LLC

Private Equity

A.M. Pappas & Associates, LLC
ABRY Partners, LLC
Accel Partners
Accent Equity Partners AB
Actis Capital LLP
Advanced Technology Ventures
Advent International Corp.
Aisling Capital
American Securities Capital Partners, LP
AnaCap Financial Partners LLP
Apax Partners
Apollo Advisors, LP
ARCH Venture Partners
Ares Management, LLC
Austin Ventures
Avenue
Bain Capital, Inc.
Bay Partners
Bertram Capital
Black Diamond Capital Management, LLC
BPEP International
Brentwood Associates

Caltius Mezzanine
Candover Partners, Ltd
Cardinal Partners
Carlye Solutions Group
Catterton Partners
Centerfield Capital Partners
Century Park Capital Partners
Cerberus Capital Management, LLC
Charterhouse Group International, Inc.
CID Capital
Cinven
Close Brothers Private Equity, Ltd
Code Hennessy & Simmons LLC
Coller Capital
Columbia Capital LLC
Court Square Capital Partners
Credit Suisse First Boston
Credit Suisse Private Equity
Crescent Capital
Crestview Capital Funds
CVC Capital Partners
Doll Capital Management
Elevation Associates, LP
EnCap Investments LP
Energy Capital Partners GP
Enhanced Capital Partners
Escalate Capital Partners
Falcon Strategic Partners
First Reserve Corporation
Forbion Capital Partners
Fortress Investment Group LLC
Gilde Buy Out Partners
Globespan Capital Partners
Green Equity Partners
Greenpark International Investors
GSO Capital Partners, LP
GTCR Golder Rauner, LLC
H2 Equity Partners BV
Hammond Kennedy Whitney & Co.
Hellman & Friedman LLC
Herkules Capital
High Road Capital Partners
Horsley Bridge
Insight Venture Partners
Institutional Venture Partners
JFM Management Inc.
Kailai Investments
Khosla Ventures
KPS Special Situations Funds
Landmark Partners, Inc.
Lexington Capital Partners
Lightyear Capital LLC
Lindsay Goldberg
Lion Capital
MBK Partners, GP, LP

Investment Professionals, continued

Private Equity, cont.

Merit Capital Partners
 Mill Road Capital
 Natural Gas Partners
 Neovara
 Neuberger Berman
 New Enterprise Associates
 New Mountain Partners
 Oak Hill Advisors, LP
 Oak Hill Capital Management, LLC
 Oak Investment Partners
 Oaktree Capital Management, LLC
 Opus Capital
 Panda Power Generation Infrastructure Fund, GP
 Parthenon Capital Partners
 Peninsula Capital Partners, LLC
 Permira
 Platinum Equity, LLC
 Rho Capital Partners, Inc.
 RJD Partners Limited
 SAIF Partners
 Sankaty Credit Advisors
 Scale Management
 Silver Cup Partners
 Silver Lake Partners, LLC
 Sun Capital Partners, Inc.
 TA Associates
 TCW/Crescent Mezzanine Partners
 Technology Crossover Ventures
 Technology Partners
 Terra Firma
 Texas Pacific Group
 The Blackstone Group
 The Jordan Company
 TowerBrook Investors LP
 Trilantic Capital Partners
 Trinity Ventures
 Triton Partners
 True Ventures
 TSG6 Management, LLC
 Veritas Capital
 Veronis Suhler Stevenson
 Vestar Capital Partners, Inc.
 Vintage Venture Partners
 Vision Capital LLP
 Vista Equity Partners
 Walden Group of Venture Capital Funds
 Warburg Pincus LLC
 Wayzata Investment Partners, LLC
 Weston Presido Capital Management
 White Deer Management LLC
 Windjammer Capital Investors
 WL Ross & Company, LLC
 Xenon Private Equity
 York Capital Management

Fixed Income – Ex Inflation Linked

Alliance Capital
 Goldman Sachs Asset Management, LP
 Income Research + Management
 Loomis Sayles & Company, LP
 Pacific Investment Management Company (PIMCO)
 Reams Asset Management
 Stone Harbor
 TCW

Fixed Income – Inflation Linked

BlackRock Financial Management
 Bridgewater Associates, Inc.
 Northern Trust Global Investments

Commodities

CoreCommodity Management
 Goldman Sachs Asset Management, LP
 Gresham Investment Management, LLC
 The Blackstone Group

Real Estate

Blackstone Real Estate Partners
 Colony Capital, LLC
 European Investors, Inc.
 Greenfield Partners, LLC
 H/2 Capital Partners
 Harrison Street Real Estate Capital, LLC
 House Investments
 JDM Partners
 LaSalle Investment Management
 Lone Star Funds
 Mesa West Capital
 Prima Capital Advisors, LLC
 Stockbridge Capital Group
 TA Realty Associates
 Walton Street Capital, LLC
 WestRiver Capital, LLC

Absolute Return

Blackstone Alternative Asset Management (BAAM)
 BlueCrest Capital Management
 Brevan Howard Asset Management
 Bridgewater Associates, Inc.
 Brigade Capital Management
 Davidson Kempner Capital Management
 Emerging Sovereign Group
 Highfields Capital Management
 Kepos Capital
 King Street Capital Management
 Linden Advisors
 MKP Capital Management
 Oxford Asset Management
 Pacific Alternative Asset Management Company
 (PAAMCO)

Investment Professionals, continued

Absolute Return, cont.

Perella Weinberg Partners
Viking Global Investors

Risk Parity

AQR Capital Management
Bridgewater Associates, Inc
First Quadrant

Annuity Savings Accounts and Legislators' Defined Contribution Plan Assets

**Public Employees' Retirement Fund (PERF)
Teachers' Retirement Fund (TRF)
Legislators' Defined Contribution Plan
(LEDC Plan)**

Consultant

Cap Cities (General: Defined Contribution)

Large Cap Equity Index Fund

BlackRock Institutional Trust

Small / Mid Cap Equity Fund

CS McKee
Loomis Sayles & Company
Rhumblin Advisers

International Equity Fund

Baillie Gifford & Company
BlackRock Institutional Trust
Dimensional Fund Advisors
Earnest Partners

Fixed Income Fund

Loomis Sayles & Company
Northern Trust
Pacific Investment Management Company (PIMCO)

Inflation-Linked Fixed Income Fund

BlackRock Institutional Trust

Money Market Fund

Bank of New York Mellon

Stable Value Fund (PERF ASA Only & LEDC Plan only)

Northern Trust Global Advisors

Pension Relief Fund

Bank of New York Mellon

Special Death Benefit Funds

PNC Institutional Investments